HOUSE BILL 1797
By McCord

SENATE BILL 2003

By Woodson

AN ACT to amend Tennessee Code Annotated, Title 54, Chapter 1; Title 67 and Title 68, Chapter 135, relative to certain fuels.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 68, Chapter 135, is amended by adding Sections 2 through 8 of this act as a new part thereto.

SECTION 2. This part may be cited as the "Tennessee Agricultural Ethanol Production Act of 2007".

SECTION 3. It is hereby the express intent and public purpose of the general assembly to encourage the use of alternative fuels in order to:

(1) Encourage the utilization of corn and other agricultural products for energy purposes and thereby encourage the establishment of a substantial market for agricultural products in this state;

(2) Revive economically depressed areas and create a significant number of new jobs;

(3) Encourage participation of the private sector in the development of a production system for alcohol fuels within the state;

(4) Promote the use of clean, efficient and renewable energy in the state and the United States;

(5) Attract new industry to the state and thereby encourage the investment of capital in the state; and

(6) Reduce the dependence of the state and the United States on imported petroleum through the use of alternate, renewable energy sources, a

goal identified as crucial for both economic competitiveness and national security by the President of the United States.

SECTION 4. This part shall be initially implemented by the department as a three (3) year pilot program in those counties of the eastern grand division of the state that are designated non-attainment areas by the United States environmental protection agency. The department shall report annually to the general assembly concerning the progress made in reviving the economy, encouraging private sector participation in the development of a production system of alcohol fuels within the state, increasing the use of clean, efficient and renewable energy, and attracting new industry to the state.

SECTION 5. As used in this part, unless the context otherwise requires:

(1) "Applicant" means a person who applies for a permit as an ethanol dealer participant to receive dealer incentives under this part;

(2) "Commissioner" means the commissioner of revenue;

(3) “Dealer” means any person engaged in the sale of gasoline to the end user through a service station, garage, truck stop or other outlet dispensing gasoline from a container equipped with a computer-type pump that measures fuel passing through it;

(4) "Department" means the department of revenue;

(5) “Distributor” means any person engaged in the sale of gasoline or distillate at wholesale to dealers or jobbers;

(6) "Ethanol" means ethyl alcohol of a purity of at least ninety-nine percent (99%) denatured in conformity with one (1) of the approved methods set forth by the United States department of the treasury, bureau of alcohol, tobacco and firearms;

(7) “Jobber” means any person purchasing gasoline from a distributor and reselling the greater part of it to dealers; and

(8) "Permitee" means an applicant who has been approved by the commissioner of revenue to receive dealer incentives as an ethanol dealer participant under this act.

SECTION 6. The taxes imposed by title 67, chapter 4, part 21, shall be reduced by an ethanol blended gasoline tax credit for each tax year that the taxpayer is eligible to claim the tax credit as provided in this part. In order to be eligible, all of the following must apply:

(1) The taxpayer is a dealer as defined in this act;

(2) The taxpayer operates at least one (1) outlet at which more than sixty percent (60%) of the total gallons of gasoline sold and dispensed through one (1) or more computer-type pumps by the taxpayer is ethanol blended gasoline; and

(3) The taxpayer complies with the requirements of the department of revenue in implementing the provisions of this part.

SECTION 7. The tax credit provided by this part shall be calculated separately for each outlet operated by the taxpayer. The amount of the tax credit for each eligible outlet is two and one half cents (2 ½¢) multiplied by the total number of gallons of ethanol blended gasoline sold and dispensed through all computer-type pumps located at such outlet during the tax year.

SECTION 8. Any credit that is greater than the taxpayer's tax liability shall be refunded to the taxpayer. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year.

SECTION 9. The department of revenue is directed to develop forms for the tax credit provided by this part. The department of revenue shall promulgate rules and regulations to implement the provisions of this act.

SECTION 10. For the purpose of promulgating rules and regulations, this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes this act shall take effect January 1, 2008, the public welfare requiring it.